Presentation to NEC

SI/Outsourcing

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Presentation to NEC—SI/Outsourcing

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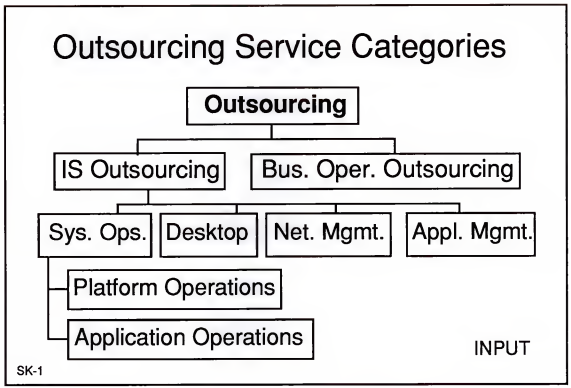

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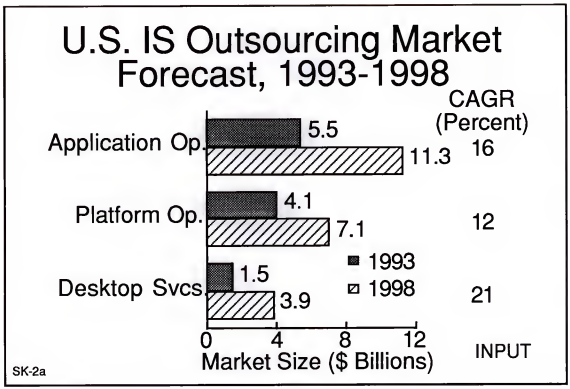

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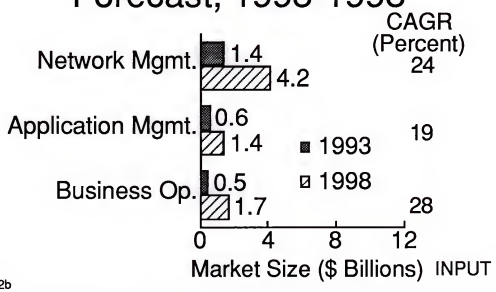
U.S. IS Outsourcing Market Forecast, 1993-1998



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Notes

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Elements of Desktop Services

- PC/workstation and software procurement/installation
- PC/workstation maintenance
- Client/server management

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Notes:

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Elements of Desktop Services

- Logistics management
- User support
- Help desk functions
- User training and education

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Elements of Desktop Services

- LAN installation and expansion
- LAN management
- Network interface management

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Desktop Services Outsourcing Market Factors

- Networking applications growth
- Client difficulty in managing distributed computing environment
- Centralization of help desk support and equipment maintenance

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Desktop Services User Concerns

- Core Business Focus
- Downsizing
- PC/LAN Based Applications
- Technological Change

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Notes:

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EDS/GE

- Contract valued at $500 million (5 yrs.)
- Provides:
  - PC/workstation central purchasing
  - Establishment of product specs
  - PC/workstation maintenance
  - Software upgrade and training
  - Help desk

OU-36

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Business Operations Outsourcing

- Role of BPR
  - -BPR is catalyst to identify and focus on core processes and operations
  - -Crucial targets for internal focus

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Business Operations Outsourcing

- Role of BPR
  - -Non-critical operations become candidates for outsourcing
  - -BPR acts as strong market driver for operations outsourcing

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Business Operations Outsourcing Important Vendor Characteristics

Characteristic	Rating
Experience in Client's Industry	4.7
Industry Reputation	4.1
Prior Outsourcing Experience	4.0
Financial Soundness	4.0

Notes:

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Business Process Outsourcing—Conclusions

- Market growth will exceed that of other outsourcing services
- Partnership mentality is critical
- Major risks may exist; perceived vendor expertise, reputation and references will be key factors

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Importance of BPR in SI Business

- BPR generates SI projects
- SI generates BPR projects
- BPR changes SI skill requirements

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Range of Service Offerings

- Full service
  - Key issues: Skill availability
    Market credibility
- Partial range + Alliance/ Partnerships
  - Key issues: Customer perception
    Interface control

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Notes:

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BPR and SI Providers

- Process vs. Business focus
- Company positioning

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Sample Company Positioning

BPR	**SI**
Andersen	Andersen
Booz Allen	CSC Consulting
CSC Index	DEC
Ernst & Young	EDS
McKinsey	HP
Price Waterhouse	IBM

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Notes:

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Xerox

- "$3 billion" for "8-10" years
- Global coverage
- Won on price

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Notes

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Xerox

- $100m purchase of IT assets
- 2000 of 2,700 people transferred
- Reasons
  - Cost savings
  - Reorganization
  - Improve productivity

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Notes

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Xerox

- Data center operations
- Voice and data telecom
- Desk top services
- Some business applications support

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Notes

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Amtrak

- $500M, 10 year
- ISSC teamed with Advantis
- Data center, network and desktop
- Potential $100M savings
- Transfer 65 people to ISSC

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- **Software and Services Vendors**
- **U.S. Federal Government**
  - Procurement Plans (PAR)
  - Forecasts
  - Awards (FAIT)
- **Commercial Application (LEADS)**

CUSTOM PROJECTS

For Vendors—analyze:

- **Market strategies and tactics**
- **Product/service opportunities**
- **Customer satisfaction levels**
- **Competitive positioning**
- **Acquisition targets**

For Buyers—evaluate:

- **Specific vendor capabilities**
- **Outsourcing options**
- **Systems plans**
- **Peer position**

OTHER SERVICES

Acquisition/partnership searches

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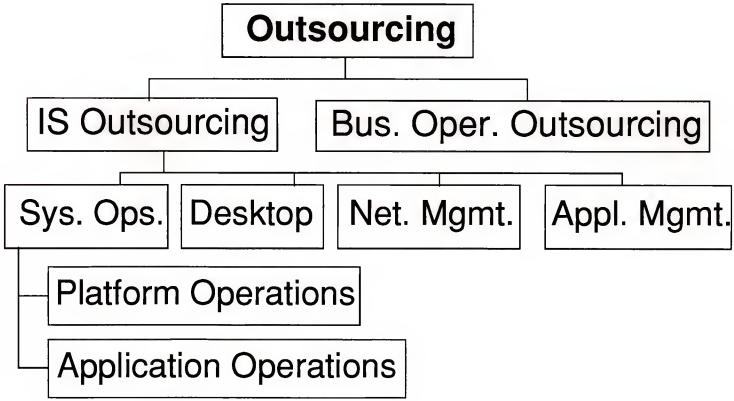
Outsourcing Service Categories



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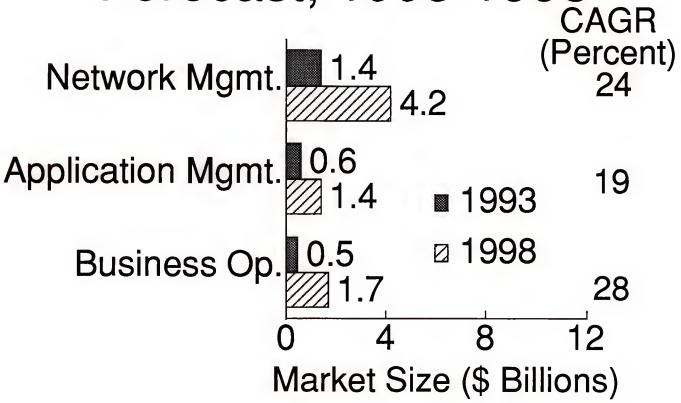
U.S. IS Outsourcing Market Forecast, 1993-1998



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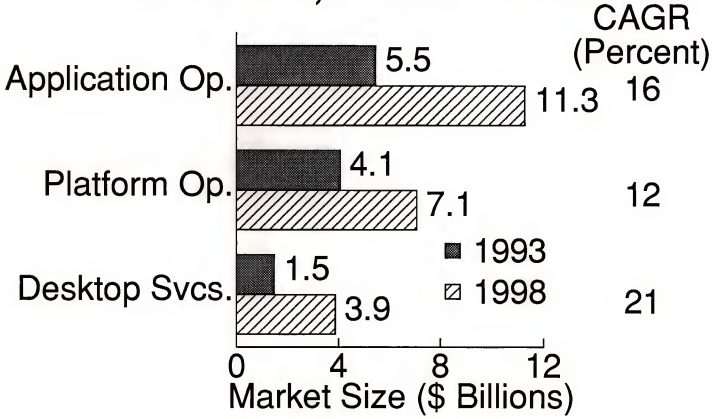

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Business Operations Outsourcing Important Vendor Characteristics

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Business Process Outsourcing—Conclusions

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BPR and SI Providers

- Process vs. Business focus
- Company positioning

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Sample Company Positioning

BPR	**SI**
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Booz Allen	CSC Consulting
CSC Index	DEC
Ernst & Young	EDS
McKinsey	HP
Price Waterhouse	IBM

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- Desk top services
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- Data center, network and desktop
- Potential $100M savings
- Transfer 65 people to ISSC

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Outsourcing Contract

Andersen
BP Exploration (U.K.)

- $50 million over 4 years
- 260 staff transferred
- Assume business (billing) operations

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Sun Micro Systems

- $27 million, 3 years
- Transitional outsourcing
- Transfer mainframe operations to CSC
- Assist client/server migration
- Some systems integration

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Kooperative Forbundet

- $1.1 billion, 10 Years
- Business operations outsourcing
- 120 Swedish retail business
- All IT support and operations
- Some business operations support

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U.K. Inland Revenue

- $1.5 billion over ten years
- Transfer of 13 data centers in April 1994
- Eventual transfer of 2000 civil servants

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